

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /090 W
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R 220425Z AUG 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1671

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EAID, ENRG, EINV, PK

SUBJ: ESSO AND MARI FIELD

REF:(A)KARACHI 1753; (B) ISLAMABAD 7418

SUMMARY: ESSO EASTERN REPRESENTATIVES ROSE AND MIRZA
AUGUST 19 REVIEWED WITH THE AMBASSADOR THE STATUS OF
ESSO'S PROBLEMS WITH THE GOP OVER THE MARI GAS FIELD.
THEY CONFIRMED THE GENERAL PICTURE CONVEYED IN REFTELS,
ADDITNG A FEW NEW DETAILS. THE MOST INTERESTING OF THESE
WAS THE POSSIBILITY THAT ABU DHABI PARTIES MIGHT BE
INTERESTED IN BUYING THE ESSO MARKETING FACILITIES.
ESSO SEEMED EAGER TO REACH AN AGREEMENT WITH THE GOP
ON DEVELOPING MARI AND MORE WILLING TO CONSIDER POSSIBLE
ALTERNATIVE DEALS THAN THEY HAD BEEN IN THE PAST.
ESSO REPRESENTATIVES WILL TRY TO GET GOP TO RECONSIDER
THEIR PACKAGE PROPOSAL IN THE ECC, WHERE THEY FEEL IT
WAS INADEQUATELY PRESENTED LAST MONGTH. ESSO EASTERN
PRESIDENT O'LOUGHLIN WILL ALSO TRY TO SEE THE PRIME
MINISTER. THE AMBASSADOR PROMISED TO SUPPORT O'LOUGHLIN'S
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EFFORTS TO SEE THE PRIME MINISTER, AND TO BRING UP ESSO'S

PROBLEMS WITH THE PRIME MINISTER WHEN AN OPPORTUNITY
ARISES. END SUMMARY.

1. ESSO EASTERN VICE PRESIDENT CHARGLES A ROSE AND
ISLAMABAD REPRESENTATIVE AKBAR MIRZA CAME IN AUGUST
19 TO DISCUSS ESSO'S PROBLEMS ON MARI GAS FIELD WITH
THE AMBASSADOR. THEIR DESCRIPTION OF THE BACKGROUND
OF THE PROBLEM CONFIRMED MOST OF OUR EARLIER UNDER-
STANDINGS, BUT ADDED SOME NEW ANGLES.

2. PROPOSAL FOR SELLING REFINERY SHARE AND MARKETING
ASSETS: ACCORDING TO ROSE, THE GOP HAD EXPRESSED AN
INTEREST IN PRINCIPLE IN BUYING ESSO'S MARKETING ASSETS
AS EARLY AS TWO YEARS AGO, AND HAD TAKEN THE INITIATIVE
TO OFFER TO BUY ESSO'S 18 PERCENT INTEREST IN PAKISTAN REFINERY
LTD. THERE HAD BEEN NO GOP COMMITMENT IN WRITING
TO EITHER PURCHASE, AND UNTIL LAST MONTH'S ECC MEETING
ESSO HAD BEEN OPERATING UNDER THE ASSUMPTION THAT ONLY
THE TERMS HAD TO BE SETTLED. ACCORDING TO ROSE, THE
PRIME MINISTER TOLD THE FORMER PRESIDENT OF ESSO
EASTERN IN MARCH 1974 THAT THE GOP WAS WILLING TO BUY
THESE ASSETS. THE PACKAGE DEAL IN ITS PRESENT FORM
LINKING THESE SALES TO MARI FIELD WAS FIRST DISCUSSED
ABOUT A YEAR AGO, AND ESSO'S FORMAL OFFER WAS SUBMITTED
IN MARCH OF THIS YEAR. IT THEREFORE CAME AS A COMPLETE
SURPRISE TO ESSO TO LEARN THAT THE GOVERNMENT WAS NOW
NOT INTERESTED IN BUYING THE MARKETING AND REFINERY
INTERESTS.

3. ROSE FELT THAT THE FUELS MINISTRY OFFICIALS WHO
PRESENTED THE PROPOSAL TO THE ECC HAD BEEN TOO CONFIDENT
OF THEIR CASE AND HAD NOT ADEQUATELY PRESENTED THE

ECONOMIC BENEFITS TO THE GOVERNMENT OF THE DEAL. HE
MENTIONED, AMONG OTHER THINGS, THAT ESSO CALCULATED THE
GOVERNMENT WOULD "GET ITS MONEY BACK" ON THE PURCHASE
OF THE MARKETING ASSETS IN 6-7 YEARS. ESSO IS PLANNING
TO HELP FUELS SECRETARY H.U. BEG DEVELOP HIS ECONOMIC
ARGUMENTS FURTHER FOR A POSSIBLE SECOND PRESENTATION
BEFORE THE ECC.

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4. ABU DHABI INTEREST: ROSE ALSO MENTIONED THAT
A LICHENSTEIN BANKER, ABBADI (A PAKISTANI NATIONAL),
WHO HAS REPRESENTED THE RULER OF ABUDHABI'S INTERESTS
IN PAKISTAN IN THE PAST, APPROACHED ESSO IN THE SUMMER
OF 1974 AND AGAIN ABOUT 3 MONTHS AGO OFFERING TO BUY
ESSO'S REFINERY AND MARKETING INTERESTS. BECAUSE
ACTIVE NEGOTIATIONS WERE THEN GOING ON BETWEEN ESSO

AND THE GOP, ABBADI WAS ADVISED TO WAIT ON THE SIDELINES. ABBADI IS APPARENTLY STILL INTERESTED, HOWEVER, AND "THINKS" HE HAS A BUYER IN ABU DHABI. HE IS EXPECTED TO RETURN TO PAKISTAN AT THE END OF THIS MONTH, AND WILL DISCUSS HIS INTEREST WITH ROSE AT THAT TIME. IF HIS INTEREST AND FINANCIAL BACKING TURN OUT TO BE SOLID, SUCH A SALE OF ESSO'S MARKETING ASSETS MIGHT BE ACCEPTABLE TO BOTH THE GOP AND ESSO. (THE GOP HAS HINTED IT WOULD HAVE NO OBJECTION.)

5. GAS PRICE: ROSE SAID THAT THE GAS PRICE ISSUE WAS "NOT A PROBLEM". THE GAP BETWEEN THE GOP POSITION AND ESSO'S OFFER WAS SO NARROW THAT IT COULD CERTAINLY BE BRIDGED IF THE OTHER ISSUES WERE SETTLED.

6. FUTURE OF MARI FIELD: IN CONTRAST TO THE SOMEWHAT ALARMING STATEMENTS WE HAD PREVIOUSLY HEARD FROM ESSO REPRESENTATIVES TO THE EFFECT THAT ESSO WOULD NOT BUDGE AND "WOULD RATHER BE NATIONALIZED" IF THE GOP DID NOT MEET THEIR TERMS, ROSE SAID THAT ESSO COULD NOT REALISTICALLY "JUST SIT ON THE FIELD AND DO NOTHING". ESSO FELT THAT ITS ORIGINAL PACKAGE PROPOSAL HAD BEEN A GOOD ONE, BUT THAT OTHER COMBINATIONS WERE POSSIBLE AS WELL. THE CONCEPT OF LINKING DEVELOPMENT OF MARI WITH RELIEF FOR ESSO FERTILIZER WAS CONTRARY TO THE WAY EXXON DID BUSINESS - THE TWO ENTITIES WERE SEPARATE ORGANIZATIONS AND TREATED AS SUCH BY EXXON - BUT THIS MIGHT HAVE TO BE CONSIDERED.

7. PRESENT STATUS OF NEGOTIATIONS: ROSE AND MIRZA HAD HAD ONE UNEVENTFUL MEETING WITH BEG ON AUGUST 18 AND ANOTHER WITH THE PERSONAL SECRETARY TO THE PRIME MINISTER. ESSO NOW PLANNED TO PROCEED ON TWO FRONTS. LIMITED OFFICIAL USE

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FIRST, AFTER HELPING BEG BEEF UP HIS CASE, THEY HOPE BEG AND THE FUELS MINISTER KHATTAK WILL REOPEN THE ISSUE WITH THE ECC. SECOND, ESSO IS DELIVERING THIS WEEK A LETTER FROM ESSO EASTERN PRESIDENT M.E. J. O'LOUGHLIN TO THE PRIME MINISTER REQUESTING AN APPOINTMENT. O'LOUGHLIN HOPES TO GO OVER THE WHOLE ISSUE WITH THE PRIME MINISTER, AND GET THE PRIME MINISTER DIRECTLY INTERESTED IN A GOP-ESSO SETTLEMENT. THE AMBASSADOR

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /090 W

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R 220425Z AUG 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1672

INFO AMCONSUL KARACHI

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OFFERED TO SUPPORT MR. O'LOUGHLIN'S REQUEST FOR AN APPOINTMENT AND TO MENTION THE ISSUE TO THE PRIME MINISTER WHEN AN OPPORTUNITY AROSE. HE SAID HE WOULD WAIT A WEEK OR SO BEFORE APPROACHING THE PRIME MINISTER, SO THAT BEG'S EFFORTS TO INCREASE SUPPORT FOR THE DEAL IN THE BUREAUCRACY AND AT THE CABINET LEVEL MIGHT MAKE SOME HEADWAY FIRST.

8. COMMENT: WE WERE SOMEWHAT ENCOURAGED BY THE MEETING.

THE ESSO REPRESENTATIVES SEEMED MORE INTERESTED IN REACHING AN AGREEMENT WHEREBY ESSO WOULD DEVELOP MARI AND LESS INCLINED TO GIVE VENT TO THEIR FRUSTRATIONS THAN THEY HAVE IN THE PAST. THEY ALSO BELIEVE THAT THE GOP WOULD MUCH PREFER TO SEE ESSO DEVELOP MARI RATHER THAN TO DO THE JOB ITSELF.

9. ROSE DID SAY, HOWEVER, THAT THE DEVELOPMENT WORK WHICH WAS NOW REQUIRED ON MARI WAS "FAIRLY SIMPLE" AND THAT THE GOP OIL AND GAS DEVELOPMENT CORPORATION (OGDC) COULD DO THE JOB. ONCE A DECISION WAS MADE ON HOW TO
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PROCEED, HE FELT THAT THE NEW SUPPLIES OF GAS COULD BE

FULLY ON STREAM IN ABOUT TWO AND A HALF OR THREE YEARS.

10. FROM ESSO AND OTHER SOURCES WE GATHER THAT THERE IS SOME DIVERGENCE OF VIEWS WITHIN THE GOP ON HOW TO TREAT THE ESSO PACKAGE. SOME IMPORTANT GOP ELEMENTS WOULD EVIDENTLY PREFER TO HAVE THE GOP BUY OUT ESSO'S INTEREST IN MARI. THIS SITUATION IS LIKELY TO MAKE THE NEGOTIATING PROCESS A LONGER ONE THAN IT OTHERWISE MIGHT HAVE BEEN. A DELAY WILL BE MOST SERIOUS FOR THE GOP NATIONAL FERTILIZER CORPORATION'S PROPOSED MIRPUR MATHELO FERTILIZER PLANT, WHICH WE ESTIMATE SHOULD BE COMPLETED BY EARLY 1979. THE PRESENT SCHEDULE FOR THE FAUJI/AGRICO PLANT IS NOT QUITE SO TIGHT, BUT THE TIME ELEMENT COULD BECOME IMPORTANT THERE TOO.

1. WE WILL CONTINUE TO FOLLOW THIS CASE CLOSELY AND IMPRESS ON BOTH THE GOP AND ESSO THE URGENCY OF A SETTLEMENT.
BYROADE

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